

Hearing Adds to Growing Momentum in Both the House and Senate; House Bill Has 61 Co-Sponsors, Bipartisan Support

WASHINGTON – Congresswoman Louise Slaughter (NY-28), Ranking Member of the House Rules Committee, today released the following statement responding to the announcement that the House Financial Services Committee would hold a hearing on The Stop Trading on Congressional Knowledge Act, or STOCK Act, following the Thanksgiving recess.

"I'm delighted that the House Financial Services Committee is going to hold a hearing on the STOCK Act and for the groundswell of support we've received in the past week," said Slaughter. "It really shows the power of the press. I'm particularly pleased because my colleagues are really starting to understand that light needs to be shed on insider trading and political intelligence which has been creeping into the halls of Congress for years now. There are 535 of us privileged enough to serve in this Congress and the fact that any one of us would think to personally profit off the information that's shared with us upsets me greatly."

On Sunday, November 13, 60 Minutes ran a much hyped report on a shocking loophole in our laws -- it is currently LEGAL for Members of Congress and their staffs to conduct "insider trading".

Following the 60 Minutes report, Slaughter said, "Members of Congress and their staff should be subject to the same rules as everyone else and I'm pleased that there's renewed energy being paid to the insider trading allowed in Congress."

In the 24 hours after the 60 Minutes piece, 9 more members signed on and many more were on the way.

The STOCK Act now has 61 co-sponsors and for the first time several members of the Senate have indicated their support.

Slaughter has been championing this bill since 2006 and in the current legislative session it gained only 9 co-sponsors. In this session, the STOCK Act was introduced by her ally Rep. Tim Walz from Minnesota on March 17, 2011. 60 Minutes said it was, "buried so deep in the Capitol we had trouble finding congressmen who had even heard of it."

Background information and a legislative history of the STOCK Act are included below.

BACKGROUND

The Issue:

Day Trading

There have been reports that Members of Congress and Congressional staff may have been engaged in, or were engaged in, day trading of securities. Nonpublic information about current or upcoming congressional activities may be used, or may have been used, in some of these trading decisions. For example, the Wall Street Journal reported that from 1999-2000 the Deputy Chief of Staff to then Majority Leader Tom Delay bought and sold hundreds of stocks from his congressional office computer. This information has been confirmed by other Delay aides and in year-end financial disclosure forms.

Political Intelligence

According to additional accounts, there is reason to believe some Members of Congress or their staff may have shared nonpublic information about current or upcoming Congressional activities with individuals outside of Congress working for political intelligence firms. These reports indicate that these individuals or their firms may have used this for investment purposes.

The increase in the number of political intelligence firms suggests that the leaking of nonpublic congressional information occurs regularly. What started out as a handful of firms in the 1970s, political intelligence firms have grown into an industry that brings in an estimated \$40 million a year.

What the STOCK Act Does:

Prohibits Members and employees of Congress from buying or selling securities, swaps, security based swaps, or commodity futures based on nonpublic information they obtain because of their status;

Prohibits Executive Branch employees from buying or selling securities, swaps, security based swaps, or commodity futures based on nonpublic information they obtain because of their status;

Prohibits those outside Congress from buying or selling securities, swaps, security based swaps, or commodity futures based on nonpublic information obtained from within Congress or the Executive Branch;

Prohibits Members and employees of Congress from disclosing any non-public information about any pending or prospective legislative action for investment purposes;

Requires Members and employees of Congress to report the purchase, sale or exchange of any stock, bond, or commodity future transaction in excess of \$1,000 within 90 days. Members and employees who choose to place their stock in holdings in blind trusts or mutual funds would be exempt from the reporting requirement; and,

Requires firms that specialize in "political intelligence" and that obtain their information directly from Congress to register with the House and Senate, much like lobbying firms are now required to do.

Why the STOCK Act is Needed:

There is no oversight authority on Congressional insider trading

Insider trading is the buying or selling of financial instruments on the basis of material, nonpublic information in violation of a duty of confidentiality – either to the issuing company or to the source of information. Under current law, Members of Congress and their staff do not owe a duty of confidentiality to Congress, and therefore are not liable for insider trading.

We need sunlight and transparency of the political intelligence industry

Political intelligence firms first appeared in the 1970s and have been on the rise in the past decade, but the industry remains relatively unknown because the firms are currently not required to register their clients or their earnings. By having these firms register with Congress along with lobbyists, the public will gain knowledge on who might be gaining an unfair advantage in the financial markets at the expense of the average financial investor.

LEGISLATIVE HISTORY

109th Congress

In 2006, the STOCK Act was introduced by Rep. Brian Baird (WA-3) on March 28, 2006, with Rep. Louise Slaughter as an original cosponsor. There were 13 additional co-sponsors (14 total), including 2 republicans (Rep. Chris Shays (CT) and Tim Johnson (IL)).

It received no hearings in that Congress and was referred to Financial Services, House Administration, Judiciary, and Agriculture Committees.

110th Congress

In 2007, the STOCK Act was introduced again by Rep. Baird on May 16, 2007, with Rep. Louise Slaughter as an original cosponsor. It earned 9 additional co-sponsors (10 total), including Republican Chris Shays from Connecticut.

It received no hearings in that Congress and was referred to all of the committees listed above along with the Committee House Standards of Official Conduct (which you probably know is now the Ethics committee)

111th Congress

On January 26, 2009, the STOCK Act was again introduced by Rep Baird, with Rep. Louise Slaughter and Rep. Tim Walz as original cosponsors, earning 8 additional co-sponsors (10 total), all Democrats.

It was referred to the Financial Services; House Administration; Judiciary; Agriculture; and Standards of Official Conduct committees.

It was in the 111th Congress that a hearing was held on July 13, 2009, in the Financial Services subcommittee on Oversight and Investigations.

(<http://democrats.financialservices.house.gov/Hearings/hearingDetails.aspx?NewsID=1155>)

112th Congress

The STOCK Act was introduced by Rep. Tim Walz (MN-1), with Rep. Louise Slaughter as an original cosponsor, on March 17, 2011.

On November 13, 60 Minutes ran a story pointing out the problem of insider trading in Congress. Prior to the piece, the bill had 9 co-sponsors.

It has been referred to the Financial Services; Agriculture; House Administration; Judiciary; Ethics; and Rules committees.